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CARIBOO GOLD QUARTZ

MINING COMPANY LIMITED (N.P.L.)

FORTIETH ANNUAL REPORT 1966

THE CARIBOO GOLD QUARTZ MINING COMPANY LIMITED

(N.P.L.)

DIRECTORS

J. ROYDEN MORRIS Vancouver, B.C.
W. C. McDOUGALL Ellensburg, Wash.
G. R. SHARPE Ladner, B.C.
ROY RICKS Chicago, Ill.

OFFICERS

J. ROYDEN MORRIS President
G. R. SHARPE Vice-President
R. J. SMITH, C.A. Secretary-Treasurer

GENERAL MANAGER

MARCEL GUIGUET Wells, B.C.

CONSULTING ENGINEER

E. E. MASON, P.Eng. Vancouver, B.C.

TRANSFER AGENTS

MONTREAL TRUST COMPANY Vancouver, B.C.
Toronto, Ontario

AUDITORS

McDONALD, CURRIE & CO. Vancouver, B.C.

HEAD OFFICE

913 - 675 WEST HASTINGS STREET Vancouver, B.C.

MINE OFFICE

WELLS, B.C.

ANNUAL MEETING - Friday, September 29th, 1967, McKenzie Room, Hotel Grosvenor, 840 Howe Street, Vancouver, B.C.

DIRECTORS' REPORT

OPERATIONS

Production for the year 1966 amounted to 20,316 ounces of gold. This gave the company an operating profit of \$126,839.00. Net profit was \$14,619.00 (see notes 2 & 6 to the financial statement). Major exploration work failed to find the upward extension of the large M 50 B ore body. The main haulage level was extended westward and extensive diamond drilling failed to find ore. Outside exploration at Pine Point also proved disappointing.

Because of the difficulty in obtaining funds to implement the recommendations of Dr. D. D. Campbell's report and for other reasons it was decided on the advice of our consulting engineer to phase out the mining operation at Wells. (see text below)

CONSULTING ENGINEER'S REPORT

The President,
Cariboo Gold Quartz Mining Company Ltd.,
913 Royal Bank Building
Vancouver 2, B.C.

Dear Sir,

Upon the writer's recommendation the decision was made June 1966 to phase out your mining operation at Wells, B.C.

Underground construction workers negotiated a 30 percent raise in wages and benefits in February 1966. Simultaneously, a lesser raise in your scales was introduced. As a result it was difficult to retain skilled miners or replace those lost.

Despite a better ore position than the previous year, only nominal operating profits were made January and February, to be succeeded by rising operating losses March and April, reaching about \$20,000 in May. It had clearly become impossible to operate at the existing cost level and absorb expenditures necessary to replacing ore depleted.

The alternative of an expanded operation was considered. Dr. D. D. Campbell made an examination of the possibilities, and recommended a major exploration programme March 1st, towards this purpose. Funds for this programme did not become available.

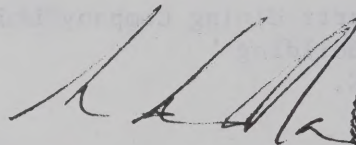
It was decided, therefore, to mine the profitable ore blocked out, limiting development expenditures to expansive possibilities in existing production blocks. The cost of long range development of new areas thus was eliminated.

Commencing July an operating profit of roughly \$162,000 was gained the second half of the year, eliminating bank overdrafts in the range of \$110,000. An additional \$47,000 was made in the first quarter of 1967, the operation closing March 31st, 1967. Additional funds are expected from salvage and sale of plant and equipment. It would be profitable to re-equip entirely if a new operation is contemplated at increased gold prices.

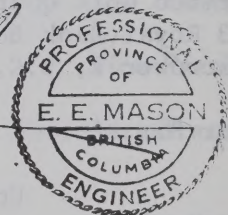
There was no further possibility of an operating profit in the number of minor ore possibilities remaining, listed in the ore reserves. It must be remembered that 0.65 ounces of gold per ton ore grade or better is required to be profitable at the present scale of operation at this time.

Such ore can be found. But, to continue operating, new capital funds would be required to explore and develop new areas, preferably on a larger scale than the past few years of operation.

Yours Faithfully,



E.E. Mason, P.Eng.,



EEM:ss

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

TELEPHONE 682-7821

INTERNATIONAL FIRM

900 WEST HASTINGS STREET

COOPERS & LYBRAND

VANCOUVER 1, BRITISH COLUMBIA, CANADA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of The Cariboo Gold Quartz Mining Company Limited (N.P.L.) as at December 31, 1966 and the statements of deficit, earnings and source and use of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of deficit, earnings and source and use of funds, when read in conjunction with the notes thereto, present fairly the financial position of the company as at December 31, 1966, and the results of its operations for the year ended on that date in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Vancouver, B.C.
March 31, 1967

McDonald, Currie & Co.

CHARTERED ACCOUNTANTS.

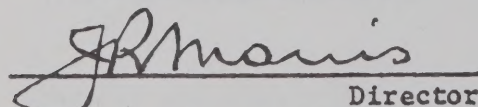
THE CARIBOO GOLD QUARTZ MINING COMPANY LIMITED (N.P.L.)

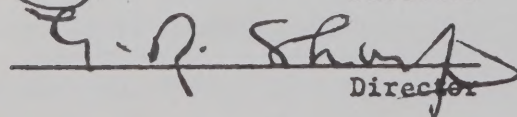
BALANCE SHEET AS AT DECEMBER 31, 1966

A S S E T S

	1966 \$	1965 \$
CURRENT ASSETS		
Cash	25,630	12,070
Bullion settlements outstanding	66,868	63,632
Sundry accounts receivable	1,888	4,323
Receivable under the Emergency Gold Mining Assistance Act	93,290	80,536
Supplies - at estimated net realizable value (note 2)	35,403	83,720
Prepaid expenses	3,978	2,840
	<u>227,057</u>	<u>247,121</u>
INVESTMENTS IN AND ADVANCES TO SUBSIDIARY COMPANIES (notes 1,2,3 and 8)	<u>20,003</u>	<u>169,915</u>
FIXED ASSETS (notes 1,2 and 8)		
Buildings, machinery and equipment - at estimated net realizable value	250,000	422,441
Mining properties - at nominal value	1	175,014
Deferred mine development - at cost less amounts written off	<u>Nil</u>	<u>436,571</u>
	<u>250,001</u>	<u>1,034,026</u>
DEFERRED OUTSIDE EXPLORATION (notes 1 and 4)	<u>3,602</u>	<u>22,989</u>
	<u>500,663</u>	<u>1,474,051</u>

SIGNED ON BEHALF OF THE BOARD


Director


Director

THE CARIBOO GOLD QUARTZ MINING COMPANY LIMITED (N.P.L.)

BALANCE SHEET AS AT DECEMBER 31, 1966

LIABILITIES

	1966 \$	1965 \$
CURRENT LIABILITIES		
Bank loan		27,000
Accounts payable	84,627	120,839
Wages payable	16,270	19,801
	<u>100,897</u>	<u>167,640</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 5)

Authorized -

4,000,000 shares of the par value of \$1 each

Issued and fully paid -

2,560,809 shares

Less discount on shares (net of premium)

DEFICIT

2,560,809	2,560,809
476,947	476,947
<u>2,083,862</u>	<u>2,083,862</u>
1,684,096	777,451
<u>399,766</u>	<u>1,306,411</u>
<u>500,663</u>	<u>1,474,051</u>

THE CARIBOO GOLD QUARTZ MINING COMPANY LIMITED (N.P.L.)

STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1966

	1966 \$	1965 \$
BALANCE - BEGINNING OF YEAR	777,451	799,449
Net profit for the year	<u>14,619</u>	<u>36,205</u>
	762,832	763,244
Reduction of inventory applicable to prior years		14,207
Deferred outside exploration costs written off	22,987	
Shut-down expense (note 2)	<u>898,277</u>	
BALANCE - END OF YEAR	<u><u>1,684,096</u></u>	<u><u>777,451</u></u>

THE CARIBOO GOLD QUARTZ MINING COMPANY LIMITED (N.P.L.)

STATEMENT OF EARNINGS

FOR THE YEAR ENDED DECEMBER 31, 1966

	1966 \$	1965 \$
BULLION PRODUCTION	<u>770,963</u>	<u>702,151</u>
OPERATING COSTS		
Current mine development	176,449	153,397
Mining	455,262	431,361
Milling	141,033	136,797
Mine overhead and townsite expenses	45,051	28,313
Administrative and general expenses (note 7)	31,052	37,898
Interest on debt	<u>4,427</u>	<u>5,546</u>
	853,274	793,312
Less: Cost - Aid Recovery	<u>208,700</u>	<u>189,994</u>
	644,574	603,318
PROFIT BEFORE THE UNDERNOTED ITEMS	<u>126,389</u>	<u>98,833</u>
Depreciation	14,320	12,641
Amortization of deferred mine development	59,898	44,931
Amortization of bond discount		3,881
Outside exploration	<u>37,552</u>	<u>1,175</u>
	<u>111,770</u>	<u>62,628</u>
NET PROFIT FOR THE YEAR (notes 2 and 6)	<u><u>14,619</u></u>	<u><u>36,205</u></u>

THE CARIBOO GOLD QUARTZ MINING COMPANY LIMITED (N.P.L.)

STATEMENT OF SOURCE AND USE OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1966

	1966 \$	1965 \$
SOURCE OF FUNDS		
Net profit for the year	<u>14,619</u>	<u>36,205</u>
Add: Charges not requiring an outlay of funds -		
Depreciation	14,320	12,641
Amortization of deferred mine development	59,898	44,931
Losses of subsidiary companies	9,766	
Amortization of bond discount		<u>3,881</u>
	<u>83,984</u>	<u>61,453</u>
Less: Credits not resulting in a receipt of funds -		
Management fees and rentals charged to subsidiary company	<u>3,720</u>	
	<u>80,264</u>	<u>61,453</u>
Funds provided by operations	94,883	97,658
Advances repaid by subsidiaries	3,740	2,418
Proceeds of sale of share capital		<u>200,000</u>
	<u>98,623</u>	<u>300,076</u>
USE OF FUNDS		
Purchase of equipment	7,314	15,115
Deferred mine development	29,030	149,673
Deferred outside exploration	3,600	22,989
Write-down of supplies inventory (note 2)	12,000	14,207
Sinking fund payment on bond redemption		<u>45,000</u>
	<u>51,944</u>	<u>246,984</u>
INCREASE IN WORKING CAPITAL	46,679	53,092
WORKING CAPITAL - BEGINNING OF YEAR	<u>79,481</u>	<u>26,389</u>
WORKING CAPITAL - END OF YEAR	<u><u>126,160</u></u>	<u><u>79,481</u></u>
ANALYSIS OF WORKING CAPITAL		
Current assets	227,057	247,121
Less: Current liabilities	<u>100,897</u>	<u>167,640</u>
	<u><u>126,160</u></u>	<u><u>79,481</u></u>

THE CARIBOO GOLD QUARTZ MINING COMPANY LIMITED (N.P.L.)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1966

1. VALUES

The amounts shown for investments, mining properties and deferred outside exploration represent costs to date or costs less amounts written off to date and are not intended to reflect present or future values.

2. TERMINATION OF OPERATIONS

Subsequent to December 31, 1966 the company announced that mining operations at Wells, B.C. would cease on April 15, 1967. As a result of the closure of the mine, the following items were written-down or written-off as at December 31, 1966 by a charge to deficit described as "Shut-Down Expense":

	\$
Write-down of investment in wholly-owned subsidiary companies to a nominal value of \$1 each	18,609
Write-off of advances to wholly-owned subsidiary companies - net	10,578
Write-down of investment in a subsidiary company to estimated realizable value	110,939
Write-down of supplies inventory to estimated realizable value	12,000
Write-down of buildings, machinery and equipment to estimated net realizable value	165,435
Write-down of mineral properties to a nominal value of \$1	175,013
Write-off of deferred mine development	<u>405,703</u>
TOTAL SHUT-DOWN EXPENSE	<u><u>898,277</u></u>

3. INVESTMENTS IN AND ADVANCES TO SUBSIDIARY COMPANIES

Consolidated financial statements have not been prepared because:

- (a) the operations of The Wells Townsite Company Limited and Gold Quartz Hospital Limited differ substantially from the operations of the Company, and
- (b) Williams Creek Gold Quartz Mining Company Limited (N.P.L.) and French Mines Ltd. (N.P.L.) are presently inactive and had no profits or losses during the year.

The following investments in subsidiary companies are shown at nominal values being cost less amounts written-off to deficit (note 2):

	Investment in shares 1966 \$	Investment and advances 1965 \$
The Wells Townsite Company Limited (wholly-owned)	1	27,341
Gold Quartz Hospital Limited (wholly-owned)	1	11,634
Williams Creek Gold Quartz Mining Company Limited (N.P.L.)	20,000	130,939
French Mines Ltd. (N.P.L.) (wholly-owned)	<u>1</u>	<u>1</u>
	<u>20,003</u>	<u>169,915</u>

The 1966 losses of the Wells Townsite Company Limited and Gold Quartz Hospital, aggregating \$9,766 have been provided for in determining the profit of the company.

4. DEFERRED OUTSIDE EXPLORATION

Deferred outside exploration includes the cost of mineral claims and exploration expenditures thereon to December 31, 1966

5. SHARE CAPITAL

An option to purchase 25,000 shares of the company at a price of 50¢ per share was terminated on January 15, 1967.

6. INCOME TAXES

After the deduction of depletion allowances under the Income Tax Act, no income taxes are eligible for the year.

7. REMUNERATION TO DIRECTOR

Total remuneration paid to a director of the company during the year was \$3,600.

8. 1965 COMPARATIVE FIGURES

The basis of valuation shown for investments in and advances to subsidiary companies and fixed assets as at December 31, 1966 does not apply to the 1965 comparative figures. The 1965 figures represent costs less the applicable depreciation, depletion or amortization to December 31, 1965.

Review of Operations

YEAR	TONS MILLED	GRADE OF MILL HEADS	GOLD OZS. PRODUCED	AVERAGE GRADE OF TAILINGS	RECOVERY PER CENT	TONS ORE RESERVES	ORE RESERVE GRADES	FEET OF DEVELOP- MENT	FEET OF DIAMOND DRILLING	GROSS VALUE OF BULLION PRODUCED	E.G.M.A.	NET EARNINGS PER SHARE (CENTS)	DIVI- DENDS PAID PER SHARE (CENTS)
1933	21,668	.441	8,395	.0543	87.77	29,800		7,417	3,303	\$ 260,841	---	.2	---
1934	28,835	.405	11,014	.0234	94.24	99,676	.416	18,217	---	381,851	---	2.3	---
1935	45,692	.415	17,633	.0257	93.82	152,588	.404	10,123	2,549	621,227	---	9.7	2.5
1936	53,672	.395	19,995	.0197	95.01	209,636	.416	8,384	5,043	700,282	---	15.4	10.0
1937	71,843	.451	30,541	.0204	95.48	246,236	.457	6,953	5,248	1,068,835	---	24.9	11.5
1938	104,341	.434	43,060	.0211	95.13	302,165	.438	16,730	9,807	1,517,562	---	34.2	17.0
1939	109,662	.446	46,601	.0226	94.95	428,588	.436	17,891	7,848	1,707,863	---	37.09	21.0
1940	113,802	.407	43,830	.0211	94.81	435,456	.417	16,331	20,629	1,688,643	---	27.2	24.0
1941	129,659	.402	49,315	.0206	94.87	441,672	.397	16,701	14,511	1,900,008	---	19.0	23.0
1942	87,466	.412	34,762	.0209	94.95	423,311	.398	5,334	4,549	1,339,431	---	8.1	13.0
1943	35,814	.464	15,907	.0190	95.90	390,180	.390	329	---	612,740	---	---	4.0
1944	33,968	.427	13,665	.0166	96.11	360,415	.388	424	---	526,418	---	---	---
1945	36,393	.387	13,303	.0181	95.32	322,250	.382	477	1,529	512,587	---	---	---
1946	45,509	.329	14,092	.0177	94.61	322,250	.382	3,498	6,229	530,408	---	---	---
1947	88,535	.249	20,899	.0158	93.66	238,740	.320	4,362	17,243	732,766	---	---	---
1948	70,267	.329	21,251	.0264	91.97	214,740	.300	2,393	3,889	745,474	\$116,773	---	---
1949	68,637	.338	21,850	.0198	94.14	207,740	.320	1,489	11,801	806,195	102,677	---	---
1950	58,688	.391	21,737	.0210	94.64	165,160	.350	2,722	16,892	825,505	78,401	---	---
1951	71,618	.368	24,811	.0224	93.94	195,020	.371	6,899	32,917	909,736	166,008	---	---
1952	71,140	.362	24,451	.0182	94.96	143,480	.390	5,849	15,110	836,418	163,253	---	---
1953	75,208	.363	26,080	.0160	95.59	144,550	.407	6,295	7,922	899,178	211,246	---	---
1954	80,816	.421	33,039	.0128	96.96	221,855	.418	6,918	8,839	1,126,826	252,178	4.24	---
1955	108,652	.396	41,464	.0140	96.47	203,445	.420	7,667	13,173	1,436,151	241,774	.55	---
1956	94,721	.446	41,117	.0128	97.22	212,650	.425	4,542	9,221	1,418,471	161,853	5.20	---
1957	90,796	.440	38,757	.0132	97.00	153,468	.395	3,867	12,045	1,305,140	186,422	1.42	---
1958	66,880	.438	27,892	.0204	95.32	135,421	.393	5,125	12,024	950,373	223,163	---	---
1959	46,586	.398	17,746	.0165	95.77	127,510	.421	4,073	11,563	597,939	182,387	---	---
1960*	39,113	.518	19,555	.0182	96.48	71,485*	.504*	4,936	15,452	667,214	200,794	---	---
1961*	37,944	.552	20,243	.0186	96.63	91,456*	.540*	5,743	15,322	722,927	208,048	1.06	---
1962*	38,638	.500	18,624	.0182	96.36	87,150*	.500*	4,539	23,466	701,218	191,362	---	---
1963*	34,702	.547	18,808	.0191	96.51	87,860*	.588*	6,222	25,052	695,537	188,119	---	---
1964*	32,073	.639	19,867	.0192	97.00	64,850*	.530*	7,834	22,612	755,191	204,136	2.20	---
1965*	28,862	.660	18,491	.0190	97.12	78,450*	.590*	5,295	15,439	702,151	189,994	1.40	---
1966*	28,877	.700	20,316	.0190	97.12			5,580	11,900	770,300	208,800	---	---
Totals	2,151,077		858,611		*Aurum mine only			231,159	383,127	30,973,400	3,477,388		\$1.26

